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An Act To Ensure the Availability of Supplemental Educational Loans

Emergency preamble. Whereas, acts and resolves of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, unprecedented turbulence in the capital markets has made it necessary to replace existing auction rate bond financing for supplemental or alternative student loans with financing supported by a capital reserve fund; and

Whereas, if financing supported by a capital reserve fund cannot be made available, Maine students and families may be adversely affected by increased costs of education borrowing or limited availability of supplemental loans, which may affect the number of Maine students pursuing a higher education because they cannot secure the necessary financing; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 20-A MRSA §11424, sub-§2, as enacted by PL 1987, c. 807, §3, is amended to read:

2. Application. Money held in any capital reserve fund, except as provided in this section, shall be used solely with respect to bonds, repayment of which is secured by any such fund and solely for the payment of principal of bonds, the purchase or redemption of those bonds, including any fees or premiums and the payment of interest on those bonds. In addition, if the authority obtains a letter of credit, insurance contract, surety bond or similar financial undertaking to establish and fund a capital reserve fund under this section, money in that capital reserve fund may be used to pay, as and when due, all reimbursement obligations of the authority established in connection with that letter of credit, insurance contract, surety bond or similar financial undertaking, including, but not limited to, all fees, expenses, indemnities and commissions. Money in excess of the reserve requirement set forth in subsection 3 may be transferred to other funds and accounts of the authority.

Sec. 2. 20-A MRSA §11424, sub-§6, as enacted by PL 1987, c. 807, §3, is repealed.

Emergency clause. In view of the emergency cited in the preamble, this legislation takes effect when approved.

SUMMARY

This bill allows the Maine Educational Loan Authority to establish a capital reserve fund to secure student loan revenue bonds in the principal amount necessary to help meet the supplemental educational financing needs of Maine students and families. It also removes language that places a limit on the principal amount of a certain type of bond that the authority may have outstanding at any one time.